

September 17, 2013

**Ex Parte**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90; *Universal Service Reform—  
Mobility Fund*, WT Docket No. 10-208

Dear Ms. Dortch:

On Friday, September 13, 2013, Chris Nierman of General Communication, Inc. (“GCI”) and I, on behalf of GCI, met with Nick Degani, wireline legal advisor to Commissioner Pai, and Courtney Reinhard, wireless legal advisor to Commissioner Pai. On Monday, September 16, 2013, Chris Nierman of GCI and I met with Priscilla Argeris, legal advisor to Commissioner Rosenworcel. On Tuesday, September 17, 2013, Chris Nierman and Tina Pidgeon of GCI and I met with Rebekah Goodheart, wireline legal advisor to Acting Chairwoman Clyburn. In response to the questions posed in paragraph 1172 of the *USF/ICC Transformation Order and Further Notice of Proposed Rulemaking*,<sup>1</sup> we set forth the proposal, summarized in the attached handout, for the Commission to set aside \$78 million of Mobility Fund Phase II support for mobile voice and broadband services in Remote Alaska. The decision as to whether to set aside support for Alaska or any other area must be made prior to or as a part of setting the rules for the rest of Mobility Fund Phase II.

GCI’s proposal would not increase the overall high-cost budget, but would prevent support reductions in Remote Alaska, while still allowing for the possible reallocation and rationalization of such support within Remote Alaska. \$78 million is consistent with the amounts used by the Commission to determine the \$500 million overall cap on Mobility Fund

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<sup>1</sup> *Connect America Fund; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Lifeline and Link-Up; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; A National Broadband Plan for Our Future; Universal Service Reform – Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11- 161, 26 FCC Rcd. 17,663 (2011).

Phase II support as well as the \$100 million for Tribal Mobility Fund Phase II.<sup>2</sup> Moreover, \$78 million is the current amount of support distributed through the Remote Alaska CETC mechanism. We emphasized that we were not proposing to exempt Remote Alaska from USF reform, but instead urging the Commission to proceed with reform policy that accounts for the recognized fact that Alaska—and particularly Remote Alaska—presents unique challenges to network deployment and operation. These challenges inevitably mean that service is more costly to provide, per POP or per road mile, in those areas than in other parts of the United States. Moreover, as documented in the Brattle Group report, the incremental costs of implementing mobile voice and broadband service of 786 kbps download and 256 kbps uplink far exceed \$78 million per year plus anticipated incremental revenues. The exact methodology for reform in Remote Alaska should be determined according to what the most effective deployment of high-cost support would be in light of Alaska's unique characteristics, including the absence of road and an intertied power grid in many parts of the state.

A bifurcated approach to Mobility Fund Phase II with respect to Alaska would parallel the process the Commission is following with respect to CAF Phase II. In CAF Phase II, the Commission has been proceeding to develop the CACM model for the Lower 48, and has specifically excluded insular areas for the time being with the prospect that insular areas will continue to receive current levels of support until an appropriate model is developed for their area.<sup>3</sup> This allows the Commission to focus its attention on developing a model suited to the Lower 48, and separately how to adapt or change that model for Alaska and other insular areas, without tying reform in the Lower 48 to the adaptation of any model to the insular areas. Under GCI's proposal, the FCC would be able to continue with Mobility Fund Phase II implementation for the country as a whole, while it determines how best to tailor high cost universal service reform to Remote Alaska.

GCI believes that for a statewide metric, POPs are more useful than road miles, because POPs can be applied more uniformly across the state, whereas some areas do not have any substantial road miles. Nonetheless, many of the off-road areas also have tiny populations, so as compared to other parts of the country, we did not expect that either metric would prevent large support reductions in areas of Alaska that have a demonstrated need.

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<sup>2</sup> *Id.* at 17,825 ¶ 497.

<sup>3</sup> *See Connect America Fund High-Cost Universal Service Support*, Report and Order, DA 13-807, 28 FCC Rcd. 5301, 5321 ¶¶ 47-48 (2013)

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Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata". The signature is fluid and cursive, with a long horizontal stroke at the end.

John T. Nakahata  
*Counsel to General Communication Inc.*

cc: Nick Degani  
Courtney Reinhard  
Priscilla Argeris  
Rebekah Goodheart

Attachment

## **MOBILITY FUND PHASE II AND ALASKA**

### **Proposal:**

- Reserve \$78 million of Mobility Fund/Tribal Mobility Fund II support for distribution in Remote Alaska (Alaska other than Anchorage Municipality, Fairbanks Zone 1 and Juneau Borough). For this support, Remote Alaska locations would not be competing with Lower 48 locations for support.
  - \$78 million is the amount of high cost support attributable to Remote Alaska that the Commission used in arriving at the \$500 million and \$100 million limits for Mobility Fund Phase II and Tribal Mobility Fund Phase II, respectively. [Order ¶¶ 495, 497]
  - \$78 million is the current level of Remote Alaska support.
  - This \$78 million for Remote Alaska would be subject to redistribution through a mechanism to be determined by the Commission, e.g., could be a model or could be a reverse auction for areas not served by an unsubsidized provider of qualifying service, but needs to take unique Alaska circumstances into account, including lack of roads in some areas and the need to connect communities.
- \$78 million should be allocated between Tribal and Non-Tribal in a manner the Commission determines to be appropriate.
- Non-Remote Alaska competes with the rest of the U.S. through MFII/TMFII reverse auctions, to the extent the areas meet the general eligibility criteria.
- Alaska remains eligible for Remote Areas Fund support, consistent with what the Commission decides for the Remote Areas Fund.

### **Rationale:**

- Brattle Group report documents that Alaska will need far more than \$78 million per year to achieve statewide mobile broadband service.
- It is unrealistic to expect Remote Alaska to compete with Lower 48 locations on a cost per road mile or cost per POP basis, when those Lower 48 locations have a ubiquitous road system, an intertied power grid, more accessible fiber backbones, fewer extremes of geography and climate.
  - Mobility Fund Phase I – Of \$300 million auctioned, Alaska had winning bids for only \$3 million. A comparable result would reduce \$105 million in Alaska CETC high cost support to \$5 million.
- It was not a primary goal of USF reform to shift support from Remote Alaska to the Lower 48 – but that will be the result if Alaska must compete in a nationwide reverse auction. This proposal prevents reallocation from Alaska, while still leading to efficient deployment of the support that will be provided.
- This parallels the Commission's approach to CAF Phase II for price cap areas.